

Service Date: January 28, 1985

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER of the Application ) UTILITY DIVISION  
by MONTANA POWER COMPANY for Au- )  
thority to Increase Rates for ) DOCKET NO. 84.11.71  
Electric Service. ) ORDER NO. 5113a

ORDER ON THE MONTANA POWER COMPANY'S  
MOTION FOR RECONSIDERATION  
FINDINGS OF FACT

1. On January 16, 1985, the Montana Power Company (Company) filed a Motion for Reconsideration of the Montana Public Service Commission's Interim Order No. 5113. The Company requests reconsideration of Interim Order No. 5113 in two respects. First, MPC requests that the Commission reconsider its refusal to implement, on an interim basis, the rate moderation which the Company proposed. Second, MPC requests that the Commission reconsider its failure to order any accrual and deferred accounting treatment for costs which it refused to allow in rates at this time.

2. Montana Power has requested that the Commission reconsider its previous action in rejecting the rate moderation plan and in awarding interim relief to cover only 14 megawatts of Colstrip 3 plant as being inadequate recovery of expenses to maintain financial integrity. In support of their contention that the Commission must award higher rates to prevent further utility financial deterioration, the Company provided exhibits that portrayed inadequate earnings to meet dividend obligations,

earnings insufficient to allow reasonable bond ratings, and marginal financial coverage of debt and interest obligations.

3. The Commission rejects the Company's proposal to implement the rate moderation plan as untimely and far beyond the scope of an interim decision. Whether or not to accept a rate moderation plan which contemplates full recovery of Colstrip 3 expenses, is in essence the central issue of the Docket and a decision of such magnitude can only be made with rigorous discovery, cross-examination, and intervenor participation. A decision at this time would be contrary to accepted practice and rules which allow interim relief only to the extent to make the current situation consistent with the previous final Commission Order. To accept the rate moderation plan on an interim basis would be unprecedented and without overwhelming evidence of a financial crisis that would irreparably prevent the utility from providing adequate service, unwarranted. The Commission must also note that intervenors and the public would reasonably expect the Commission to abide by its interim rules and past practices; and had they suspected the Commission would have departed from those standards, they would have offered comments on the substance of the utility's Motion for Reconsideration.

4. In rejecting the arguments for interim approval of a moderation plan, the Commission does not deny responsibility for oversight of the utility's financial condition or its regulatory function to preserve financial integrity of a utility under its jurisdiction. Interim rules and resulting rate increases were instituted by the Commission to help insure the financial health of a regulated company. The rules adopted by the Commission have served the Company and ratepayer well. To disregard those

standards in this instance would open the door to the days prior to adoption of rules, when the only standard for interim relief was proof beyond a reasonable doubt of financial harm. Adopting that stance would serve neither the interests of the ratepayer nor the utility.

5. The Commission has reviewed the power company's evidence of financial deterioration, but finds insufficient justification to award increased rate relief for the following reasons:

a) There is no evidence that the utility has suffered harm to the extent it will not be able to provide adequate service to its customers prior to the adoption of a final order, and b)

Inability to meet its dividend with current earnings should be a concern of both management and regulator, but the issue raises substantial questions more appropriate to a determination after hearing than on an interim basis. The Commission and intervenors must have an opportunity to explore the justification of dividend levels and consider impacts after weighing evidence from all parties, and

c) Interest and debt coverage levels are less than expected, but are not grave enough to demand immediate attention. The cash flow problem at this time is more speculative than factual. d) The Commission finds that any crisis from the security ratings downgrading has been ameliorated somewhat by its interim order and a wait and see attitude of the financial community. Those investors are fully aware of the Commission's interim rules and one can reasonably expect investors and analysts to use the Final Order and not the decision on this Motion for Reconsideration to influence future ratings. e) The Commission further recognizes

the shareholders' losses as stock prices dropped, but also takes notice of recent gains in market prices as further evidence that the financial viability of MPC is not threatened to the point that further interim rate relief is required now. f) The Commission believes that without overwhelming evidence of debilitating financial health, adoption of the Company's Motion for Reconsideration on the basis of financial impacts would be a serious breach in the trust placed in them by the ratepayer and the Legislature to approve rates only after the Commission has explored all the issues developed in a contested case procedure, considered the merits of conflicting evidence, and issued a decision with its reasoned conclusions. From its past experience and motions in the prior Colstrip Docket, it is reasonable to conclude that the consideration of the utility's financial situation and any impacts to be an issue of considerable debate. Therefore, the Commission finds it more appropriate to reserve final judgement until the evidence is all in and a final order has been issued.

6. MPC requests that the Commission allow the accrual of the costs of that portion of Colstrip 3 and associated facilities which are not reflected in interim rates and also allow amortization of the accrual to the extent that Colstrip 3 costs are allowed in rates in the Commission's final order.

7. A final order in this Docket is due by August 15, 1985.

The Commission finds merit in the allowance of the accrual and amortization of Colstrip 3 costs not included in the interim order. The Company is authorized to accrue the costs of the balance of Colstrip 3 for disposition in accordance with the Commission's final order.

CONCLUSIONS OF LAW

1. The foregoing Findings of Fact are hereby incorporated as Conclusions of Law.

2. The Montana Power Company is a public utility furnishing electric service to consumers in the State of Montana, and is subject to the supervision, regulation and control of the Montana Public Service Commission. 69-3-102, MCA.

DONE IN OPEN SESSION at Helena, Montana this 28th day of January by a 5-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Vice Chairman

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JOHN B. DRISCOLL, Commissioner

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DANNY OBERG, Commissioner

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TOM MONAHAN, Commissioner

ATTEST:

Trenna Scoffield  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.